

Message Text

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E.O. 11652: N/A

TAGS: BGEN, MU

SUBJECT: THREE U.S. FIRMS IN OMAN HIT ROUGH WATER

1. THREE OF MOST ACTIVE AMERICAN FIRMS IN OMAN HAVE BEEN SINGLED OUT FOR CRITICISM BY OMANGOV OFFICIALS WITHIN PAST WEEK. FIRMS INVOLVED ARE INTERCONTINENTAL HOTELS, MARDELA INTERNATIONAL, AND FMC. IN PERHAPS MOST SIGNIFICANT CASE, COMMUNICATIONS MINISTER RAJAB INFORMS EMBASSY HE HAS SENT LETTER TO INTERCONTINENTAL HOTELS CORPORATION (IHC) REQUESTING REPLACEMENT OF GTC MANAGER JAMES D. FOX WITHIN 30 DAYS. RAJAB ALLEGES (AS REASONS FOR HIS REQUEST) THAT FOX UNABLE TO CONTROL RISING COSTS OF ITEMS WITHIN HIS CONTRACT RESPONSIBILITY, THAT HE HAS MADE AND FAILED TO KEEP PROMISES, AND THAT HE HAS BEEN UNABLE TO GET ALONG WITH OTHER CONTRACT PRINCIPALS SOGEX AND D.G. JONES (QUANTITY SURVEYORS). MOST IMMEDIATE INCIDENT APPEARS TO BE CONNECTED WITH FURNITURE ITEM, WHICH FOX SUPPOSEDLY PROMISED TO ORDER A YEAR AGO; FOX'S ALLEGED FAILURE TO DO SO IMPLIES HIGHER PRICE FOR SAME ITEM TODAY. RAJAB SAYS HE EXPECTS IHC REPS INCLUDING YUSUF HAROUN TO VISIT OMAN IN FOUR DAYS, THOUGH WE DOUBT THEY ARE COMING IN DIRECT RESPONSE TO HIS LETTER. EMBASSY HAS NOT RPT NOT YET HEARD FROM FOX, BUT WE EXPECT TO HEAR HIS SIDE OF STORY WHEN HE RETURNS FROM ONE WEEK TRIP WITHIN NEXT DAY OR TWO.

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2. MARDELA INTERNATIONAL WAS CHIDED BY ECON ADVISER

JOHN TOWNSEND, WHO ALL BUT FLATLY STATED COMPANY WOULD NOT RPT NOT RECEIVE ANOTHER CONTRACT FOR WORK IN OMAN. TOWNSEND SAID FIRM HAD DEMONSTRATED NEITHER COMPETENCE NOR ABILITY TO DELIVER, AND THAT CURRENT GOVERNMENT THINKING EMPHASIZED IMPROVING LOCAL FISHING ECONOMY RATHER THAN INTERNATIONAL MARKETING SCHEMES SUCH AS THOSE PROPOSED BY MARDELA. MARDELA LOCAL MANAGER PETER WILSON REALIZES FIRM'S FUTURE IN OMAN IS IN TROUBLE. MARDELA PRESIDENT CHARLES BLACK DUE IN MUSCAT THIS WEEK.

3. TOWNSEND ALSO CITES DISAGREEMENTS WITH FMC. CURRENT BONE OF CONTENTION IS BUILDINGS IN SALALAH, WHICH TOWNSEND CLAIMS ARE SUBSTANDARD. HE ALSO RECEIVED RUMOR FMC PLANS TO PULL OUT OF AGRICULTURE IN OMAN AT END OF PRESENT CONTRACT APRIL 1975. TOWNSEND HAS OFTEN DEFENDED FMC IN PAST AGAINST CRITICS, SAYING THAT THEY HAVE DONE SOME VERY USEFUL THINGS, BUT THAT HE IS ALSO BECOMING IMPATIENT WITH RATE OF PROGRESS. TOWNSEND SAYS SULTAN HAS SIGNED NEW FISHERIES CONTRACT WITH FMC, BUT THAT CONTRACT BEING HELD IN ESCROW PENDING RECEIPT FISHING STUDY MORE THAN THREE MONTHS OVERDUE. (FYI: OTHER SOURCES CONFIRM THIS STORRY. CONTRACT REPORTEDLY WORTH DOLS 25-30 MILLION, PROVIDING FOR NUMBER OF FISH PROCESSING, ICE-MAKING, AND COLD STORAGE FACILITIES.) FMC MANAGER, DR. WILLIAM SOUTHAM, SAYS BASIC PROBLEM IS BACK-BITING FROM OTHER INTERESTS IN SALALAH, DENIES RUMOR OF PLANNED PULLOUT, AFFIRMS STRONG FMC DESIRE NEGOTIATE A NEW CONTRACT.

4. EMBASSY COMMENT: WHILE SITUATION BEARS WATCHING, BELIEVE AT THIS POINT THESE DEVELOPMENTS UNCONNECTED. IHC HAS BEEN SQUABBLING WITH ITS PARTNERS FOR A LONG TIME, AS WE HAVE PREVIOUSLY REPORTED. FOX'S FORTH-RIGHT STYLE BORDERS SUFFICIENTLY CLOSE TO ABRASIVENESS TO RENDER HIM A CANDIDATE FOR REMOVAL, THOUGH REASON JUST AS LIKELY BECAUSE HE IS A BEARER OF BAD TIDINGS THAN BECAUSE OF ANY PERSONAL SHORTCOMINGS. OTHER TWO MAJOR HOTEL PROJECTS HERE, BOTH NON-U.S., ALSO PLAGUED BY DELAYS AND RISING COSTS. MARDELA SUFFERS FROM PREVIOUS LEGACY OF WOES EPITOMIZED BY REMOVAL PREVIOUS DIRECTOR ROCHESTER, I.E., PERSONALITY CONFLICTS AND THE APPEARANCE OF A PUBLIC RELATIPDNS RATHER THAN A SUBSTANTIVE APPROACH. FMC LOOKS BASICALLY COMPETENT, SOME-LIMITED OFFICIAL USE

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WHAT SLOW, HAS ITS SHARE OF LOCAL CRITICS. WILL REPORT FURTHER DEVELOPMENTS.
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